

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D.C.



REPLY TO
 ATTN OF:

OSA-4646-65
 #1738

SUBJECT:

REPLY TO:
 Audit Liaison Office
 P. O. Box 8155
 S. W. Station
 Washington, D. C.

TO:

7 December 1965

SUBJECT: Review of ECP #1987-16
 Airborne Instrument Laboratory
 Deer Park, New York

TO : Contracting Officer

1. A review was made, to the extent deemed necessary, of the contractor's cost proposal to provide for additional peripheral equipment for a CPC computer. The review consisted of an evaluation of the contractor's estimating procedures and examination of the data supporting the proposed quoting rates (labor, overhead and general and administrative expense), pricing of material costs and travel expense. The necessity of the estimated labor hours, the material requirements and the number of trips, are recommended for review by a technically qualified representative.

2. A summary of the contractor's proposal by element of cost, and the auditor's recommendations are as follows:

| | <u>Per Contractor's Proposal</u> | <u>Auditor's Recommended Reductions</u> | <u>Ref Notes</u> |
|-----------------------------------|--|---|----------------------|
| Direct Labor - Administrative | \$ 523 | \$ | (a) |
| - Engineering | 8,557 | | (a) |
| Engineering Burden 104% | 9,443 | 181 | (b) |
| Raw Materials and Purchased Parts | 296,145 | | (c) |
| Travel and Subsistence | 6,486 | | (d) |
| Subtotal | <u>\$321,154</u> | <u>\$181</u> | |
| G & A 7.5% | 24,087 | 335 | (b) |
| Total Cost | <u>\$345,241</u> | <u>\$516</u> | |
| Fee Requested 7.5% | <u>25,893</u> | | (e) |
| TOTAL PROPOSAL | <u>\$371,134</u> | 555 | |
| | <u>555</u> | | |
| | 370579 | | |

Ref. Notes:a. Direct Labor:

The proposed hourly rates used to extend the estimated labor hours are acceptable for the purpose of this report, since they compare favorably with the average incurred hourly rates presently being experienced by the contractor on a similar effort.

b. Burden and G & A:

It is the opinion of the auditor that the proposed burden and G & A rates are excessive. A comparison with current year to date booked rates as well as contractor's budgets indicates a reduction in rates may be warranted. The contractor's computation and the auditor's recommendations are as follows:

| | <u>Engineering Burden</u> | <u>G & A</u> |
|-----------------------|-------------------------------|------------------|
| Per Contractor - Base | <u>\$9,080</u> | <u>\$321,154</u> |
| Rate | <u>104%</u> | <u>7.5%</u> |
| Burden | <u>\$9,443</u> | <u>\$ 24,087</u> |
| Per Auditor - Base | <u>\$9,080</u> | <u>\$320,973</u> |
| Rate | <u>102%</u> | <u>7.4%</u> |
| Burden | <u>\$9,226</u> | <u>\$ 23,752</u> |
| COSTS QUESTIONED | <u>\$ 181</u> | <u>\$ 335</u> |

c. Raw Materials and Purchased Parts

The contractor's estimated material costs were verified to purchase orders, vendors' quotes and catalogues. The pricing of these items are considered acceptable, but the need for these items are recommended for review by a technical representative.

d. Travel and Subsistence


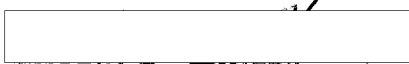
The contractor estimated two (2) three (3)-day trips for the months of November and December 1965 to the West Coast for personnel to function as facility engineers (4 trips @ \$416 ea. = \$1,664). For the purpose of installing and testing the equipment, the contractor has estimated two (2) men full time during the months of January and February 1966 computed as follows:

| | |
|---------------------------------|----------------|
| Two round trips @ \$311 | \$ 622 |
| Subsistence for 120 days @ \$35 | |
| per day | <u>4,200</u> |
| TOTAL | <u>\$4,822</u> |

The basic costs for these trips are considered acceptable for the purpose of this report, but the number of trips as well as the length of stay is recommended for review by a technically qualified representative.

e. The contractor has requested a fee based on 7.5% of the estimated costs.

3. The results of this evaluation were discussed with the contractor's representative, who reserved comment at this time.

 
WILLIAM F. EDWARDS

Auditor General Representative (APL)

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(a) 1. For the purpose of this report, the proposed hourly rates used to extend the estimated labor hours, are acceptable, since the combined average rate compares favorably with the average incurred hourly rate presently experienced by the contractor on the 1987 program.

2. The estimated labor hours are recommended for review by a qualified technical representative.

3. It should be noted that included as part of the direct labor charge is a field work differential of 10% for those employees who will conduct the training program at the sites. This amounts to an additional labor costs of \$2,486. It is the company's policy to pay a wage differential of 10% to all employees (except field engineering personnel) assigned to a location outside the metropolitan area of New York City for a period covering no less than four weeks.

(b) Although the quoting rates for overhead and G & A are considered excessive compared to the current year to date incurred rates, no adjustment is recommended for this report, since the reduction insuing therefrom, would have a minor impact on the fixed fee proposed.

(c) Contractor adequately supported the pricing of the material items. No exceptions were noted.

(d) The contractor proposed the following trips:


| | | |
|--|----------|-----------------|
| 1 - 9 trips to the West Coast @ \$311 | \$ 2,799 | |
| Subsistance - 2 men - 150 days = 300 days | | |
| 2 men - 30 days = 60 days | | |
| 1 man - 120 days = 120 days | | |
| 2 men - 90 days = 180 days | | |
| 2 men - 60 days = 120 days | | |
| 780 @ \$35 = \$27,300 | | \$30,099 |
| 2 - 8 two-day trips to the Mid West @ \$219 | | 1,752 |
| 3 - 8 one-day trips to the near Mid West @ \$117 | | 936 |
| 4 - 12 three-day trips to the West Coast @ \$416 | | 4,992 |
| Total travel and subsistance proposed | | <u>\$37,779</u> |

The basic rates used for pricing the trips and subsistance are considered acceptable for the purpose of this report.

(e) Contractor's pricing of the rental of a 7090 computer for eight hours at a rate of \$650 per hour based on a quote supplied by the vendor.

(f) The contractor has requested a fee based on 7.5% of the estimated costs.

3. The contractor's proposed costs are considered reasonable, subject to the recommended review by technical personnel.


for ARTHUR G. HANLEY
Acting Auditor General Representative (APL)

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